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SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

Implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002)

Report of the Secretary-General

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I. INTRODUCTION

1. The present progress report has been prepared by the secretariats of the United Nations Industrial Development Organization (UNIDO) and the United Nations Economic Commission for Africa (ECA), with an input from the United Nations Development Programme (UNDP), for submission to the General Assembly at its fiftieth session, in accordance with paragraph 9 of General Assembly resolution 49/107 of 19 December 1994.

2. In that resolution, the General Assembly recognized the need for increasing the integration of African industry in world manufacturing, and called for support from the international community in achieving the goals of the Second Industrial Development Decade for Africa (1993-2002).

3. It also recognized that African Governments were responsible for the implementation of the programme for the Second Decade and were expected to provide, among other things, a favourable environment for foreign investment. Further, UNIDO, in cooperation with the African Development Bank (ADB) and other subregional, regional and international financial and banking institutions, was requested to provide the necessary support, while ECA and the Organization of African Unity (OAU) were also requested to facilitate cooperation with UNIDO in that regard.

4. Given the above background, the primary responsibility for the implementation of the resolution lies with African Governments, which are expected to provide the necessary conditions such as policy guidance and institutional and other measures conducive to the smooth implementation of the programme for the Second Decade.

5. Before assessing the progress made in the implementation of the programme for the Second Decade, the present report reviews the industrial situation in Africa. Key issues connected with the implementation of the Decade as well as cooperation, coordination and harmonization of activities undertaken by African and international organizations, UNDP, ECA, UNIDO, ADB and OAU were examined.

II. OVERVIEW OF THE INDUSTRIAL SITUATION IN AFRICA

6. During the 1980s, many African countries experienced sluggish economic growth, attributable to exogenous shocks, as well as to the latent structural weakness of many of the economies and the continuing high dependence on a few primary commodities.

7. In a context where foreign direct investment (FDI) to Africa is declining or stagnant, its achievements in industrialization have been modest, with some notable exceptions in recent years. While industrial growth has seen some progress, it has been insufficient to achieve the structural transformation implied by the Second Decade. The private sector is now widely recognized to be the prime mover of economic development. However, its involvement in or indeed cognizance of the Second Decade appears very limited.

8. As a reaction, many countries have increased private sector involvement and have applied structural adjustment policies (SAPs) under the guidance of the International Monetary Fund (IMF) and the World Bank. The notion of structural adjustment policies reflects a strong belief that markets are fully efficient and that government interventions in resource allocation are essentially distorting and inefficient. Resource allocations should be determined by individual economic agents responding to free market signals. However, many of the factors accounting for weak industrial performance in Africa are structural, and economic liberalization has not resolved them. The main ones include a weak base of technological capabilities and institutions, and an uncompetitive local supply structure.

A. Growth trends

9. Of all African countries, less than one third achieved gross domestic product (GDP) growth of 3.9 per cent or more in the period 1980-1989; almost half achieved a growth rate of 1 to 3.9 per cent during this period, but only just, if at all, keeping pace with the population growth of 3 per cent, and the rest were characterized by negative or statistically insignificant growth rates. 1/ The declining average of real per capita income is highlighted by a negative growth per capita of real GDP from 1986 to 1990 of -0.18 per cent. 2/

10. The 1990s started with a further fall of GDP growth to 1.9 (3.6 per cent in 1989). This trend continued with a recorded real GDP growth of 1.4 and 0.2 per cent for 1991 and 1992 respectively. However, although real GDP growth picked up to 1 per cent in 1993, per capita GDP was still declining at 1.6 per cent. The outlook for Africa in 1994 continued to show signs of improvement, with an average growth of real GDP by 3.3 per cent and a positive change in real GDP per capita of 0.6 per cent. Projections indicate that growth will reach 4.5 per cent in 1995 and real GDP per capita 1.7 per cent. 3/

B. Manufacturing industry

11. The contribution of industry to GDP was 32.1 per cent in 1991, with 45.1 per cent for services and 22.8 per cent for agriculture, which is not too different a breakdown from that in 1981. Only about half of the African countries show an appreciable increase over time in the percentage share of manufacturing value added (MVA) in total GDP. In no case did the percentage share of MVA rise above 25 per cent and in only five cases did it exceed 20 per cent. 1/ The shares of MVA in GDP for Africa as a whole in 1986 and 1989 are recorded as 10.3 and 10.5 per cent respectively. This ratio, as far as sub-Saharan Africa is concerned, increased to 17 per cent of GDP in 1992. Furthermore, MVA growth rates in African countries generally resembled those of other developing countries until the early 1980s. The share of Africa in world MVA rose from 0.7 per cent in 1970 to 1 per cent in 1982, and fell to 0.8 per cent in 1994, indicating that its industrial performance has deteriorated relative to other developing regions.

12. The rate of growth of MVA declined steadily over time, from 3.7 per cent in the first half of the 1980s to 2 per cent in the period 1989-1993. 4/ This trend persisted in the later period; MVA growth fell from 3.3 per cent in 1989-1990 to 2.8 per cent in 1990-1991 and 0.4 per cent in 1991-1992, with only a modest recovery to 1.5 per cent in 1992-1993. As in most African countries, the industrial sector is concentrated in a few activities, and there is a lack of the industrial linkages that can be the basis for dynamism. The smallness of the manufacturing subsector in Africa is accompanied by concentration on food products, textiles and non-metallic minerals. Machinery-making is minimal, and the positive technological forces associated with this activity are absent.

C. Trade

13. The trade deficit of Africa in 1991 stood at $5.1 billion, a deterioration of 177 per cent ($3.25 billion) from that recorded in 1990 ($1.85 million). This deterioration was primarily due to an increase in imports of 4.4 per cent from $74.4 billion in 1990 to $77.7 billion in 1991, 5/ at a time when exports remained virtually the same as in 1990 ($72.6 billion). 6/ In 1992, a further fall in exports of 1.7 per cent to $71.4 billion, coupled with an increase in imports of 6.7 per cent to $82.9 billion, exacerbated the already sluggish trade deficit by 125 per cent to $11.5 billion. The total value of manufactured exports in 1992 was $8.445 million, 4/ accounting for 11.76 per cent (9.7 per cent in 1991) of total exports. Seventy-four per cent of total manufactured exports came from the North African countries, amounting to a total of $6.236 million, leaving the sub-Saharan region with only $2.209 million. The growth in North Africa's manufactured exports showed an annual average of 6.2 per cent from 1998 to 1992.

D. Foreign direct investment

14. Africa's FDI receipts rose to $2.5 billion in 1991, some 21 per cent over 1990 but still below the $2.7 billion average for the period 1985-1990. The 1991 surge in FDI mainly benefited African oil-exporting countries, with Nigeria alone receiving over $700 million compared with the total of $586 million going to all non-oil African countries. Despite the focus on the extractive sectors, the share of non-oil producers in the total FDI of Africa rose from 20 per cent in 1986-1988 to 28 per cent in 1989-1991, primarily due to a sharp rise in investment in Morocco (to $320 million) attracted by free access to the European Community for manufactures with at least 40 per cent local content. 7/ Despite the continuous liberalization of investment regimes by a number of countries, FDI flows into Africa remained stagnant at about $2.5 billion in 1993, with Nigeria alone receiving $900 million, amounting to approximately 37 per cent of total FDI inflows. As a result, the share of Africa in all inflows to developing countries declined to 5 per cent in 1993, compared with 11 per cent during the period 1986-1990. Although North Africa has fared better than sub-Saharan Africa overall, FDI inflows to North Africa increased only marginally in 1993 to $1.43 billion, compared with $1.41 billion in 1992. On the other hand, FDI inflows to sub-Saharan Africa incurred a slight decline, from $1.08 billion in 1992 to $1.05 billion in 1993. 8/ In spite of limited FDI to date, a potential growth rate of up to 16 per cent is projected by 1995. 7/

In order to achieve this, countries must take advantage of advances in information technology, implement changes in the domestic economy and create an attractive environment for small and medium-sized transnational corporations.

15. It is anticipated that Africa will have difficulties in attracting increased foreign investment, given the competition from the new countries of the former Union of Soviet Socialist Republics and Eastern Europe. The availability of raw materials and low-paid labour alone no longer provides a dependable basis for industrialization in Africa. FDI has an important role to play not just in providing financial resources but in technological terms. Hong Kong, the Republic of Korea and Taiwan Province of China have built strong industrial bases, relying on a combination of low wages and advanced technology from developed economies. This signifies the role that FDI could play towards the global competitiveness of Africa through technology transfer, training and better product quality.

E. Official development assistance

16. Total net ODA from countries members of the Development Assistance Committee (DAC), multilateral organizations and Arab countries to Africa decreased by 13.1 per cent from 1992 to 1993, from $24.7 million to $21.4 million respectively. 9/ However, for the period 1983-1993, ODA receipts incurred an annual real increase of 2.27 per cent. The share of Africa in overall ODA of DAC countries in 1993 was 44 per cent.

17. Net ODA disbursed to North Africa in 1993 accounted for 16.1 per cent ($3.4 billion) of African total ODA. There is a decrease of 36.6 per cent from $5.4 billion in 1992 (21.9 per cent of African ODA) to $3.4 billion in 1993 and a fall of 52.7 per cent from 1990 ($7.2 billion, which represents 28.6 per cent of African ODA) to 1993.

18. Net ODA to sub-Saharan Africa in 1993 accounted for 82 per cent of overall African ODA at $17.6 billion, a decrease of 6.4 per cent from the $18.8 billion (76.1 per cent of overall African ODA) received in 1992. However, 1993 ODA receipts were only marginally higher, by 0.74 per cent, compared with the sum of $17.45 billion received in 1990, constituting 69.3 per cent of total African net ODA.

19. For all Africa, total net ODA has been declining (from 1990 to 1993) on average, at an annual rate of 4.9 per cent; for North African countries, the average annual decline is estimated at 20.5 per cent, as opposed to sub-Saharan Africa, which has been enjoying, although marginally, an annual increase of total ODA of 0.46 per cent from 1990 to 1993. Even though overall ODA has been showing a downward trend, the proportion of total ODA to Africa has been dominated by sub-Saharan countries at an increasing rate of 69, 70, 76 and 82 per cent for 1990, 1991, 1992 and 1993 respectively.

20. The amount of DAC bilateral disbursements to sub-Saharan Africa was $7.6 billion in 1980 and $11.2 billion in 1993, an increase of 47.4 per cent. However, DAC bilateral disbursements to sub-Saharan Africa decreased by 12.6 per cent ($1.6 billion) from 1990 to 1993. The ratio of bilateral

development cooperation to the total ODA disbursements directed to sub-Saharan Africa in the years from 1985 to 1993 increased from 54.7 per cent in 1985 to 63.4 per cent in 1990, but fell to 61.9 and 60.7 per cent in 1991 and 1992 respectively, with a marginal rise to 60.9 per cent in 1993. In 1993, the share of France in total DAC bilateral disbursements accounted for 28.2 per cent, followed by the United States of America at 12.6 per cent. The growing role of Japan has been highlighted by its 66 per cent increase in disbursements from 1980 to 1993, from $514 million to $851 million respectively, although there has recently been a decrease at an average annual rate of 4.5 per cent from 1990 to 1993.

21. In 1992, multilateral organizations allocated $7.3 billion to sub-Saharan African countries, 28 per cent more in real terms than in 1985. In 1993, the amount decreased slightly to $7 billion, by 4 per cent from 1992 in real terms. The proportion of multilateral to bilateral disbursements increased from 49.5, 54.9, 61.2 to 62.6 per cent for 1990, 1991, 1992 and 1993 respectively, showing the increasing role played by multilateral institutions in ODA.

22. As regards World Bank group lending to sub-Saharan Africa for the industrial sector, annual disbursements from 1983 to 1987 averaged $678 million (3.42 per cent of World Bank lending). The disbursements were $150.5 million in 1988 (5.14 of the total); they fell to $105.1 million in 1990 (2.67 per cent of the total); there was no lending to industry in 1991, and in 1992 lending rose to $406 million, accounting for 10.22 per cent of the total.

III. PROGRESS MADE IN THE IMPLEMENTATION OF THE PROGRAMME FOR THE SECOND DECADE

A. Legislative decisions

1. Economic and Social Council

23. During its summer sessions in 1993 and 1994, the Economic and Social Council adopted resolutions 1993/65 of 30 July 1993 and 1994/41 of 29 July 1994 on the implementation of the programme for the Second Decade. The Council urged African countries to give priority to the mobilization of their own financial resources through increased domestic savings and better management of national resources for the financing and implementation of the programme for the Decade. It also invited African countries and African development institutions to take the necessary measures to create an enabling environment conducive to domestic, foreign, private and public industrial investment.

2. Twenty-ninth session of the Economic Commission for Africa/twentieth meeting of the ECA Conference of Ministers

24. The twenty-ninth session of the Commission/twentieth meeting of the Conference of African Ministers responsible for Economic and Social Development and Planning, held at Addis Ababa from 2 to 5 May 1994, adopted resolution 780 (XXIX) on the implementation of the programme for the Second Industrial

Development Decade for Africa (1993-2002), resolution 781 (XXIX) on development of the private sector for the accelerated implementation of the programme for the Second Decade and beyond, and resolution 782 (XXIX) on the development of basic industries for the structural transformation of African economies.

25. In resolution 780 (XXIX), the Commission requested the Director-General of UNIDO and the Executive Secretary of ECA, in cooperation with the Secretary-General of OAU to, inter alia, take concrete steps for the promotion of the Second Decade at the international level and the mobilization of financial and technical resources for the new Decade, the implementation of Agenda 21, the review of the implications for the African countries' industrialization efforts of the Uruguay Round and the fundamental changes at the international level.

26. In resolution 781 (XXIX), the Commission, inter alia, called upon: (a) African Governments to provide appropriate material, technical and financial institutional support for the establishment of small- and medium-scale industries as a means of laying the foundation of industrialization in Africa; and (b) ADB and other subregional/regional financial and banking institutions to provide increased resources to the African private sector, in particular to African industrial entrepreneurs.

27. In resolution 782 (XXIX), the Commission called upon African Governments: (a) to take concrete measures to establish multinational industrial enterprises in the area of basic industries, namely metallurgical, engineering, chemical and other basic industries through bilateral, subregional and regional cooperation; and (b) to mobilize and pool their resources in a collective endeavour to establish and sustain basic industries, especially within the framework of subregional development organizations and economic communities. In addition, the Commission requested the Executive Secretary of ECA and the Director-General of UNIDO to hold consultative meetings of sponsoring countries and organizations with indigenous and external potential investors as well as African and non-African financial institutions, for the purpose of identifying, formulating and undertaking feasibility studies and financing of specific bankable projects with basic industries.

3. General Assembly

28. In December 1994, the General Assembly considered at its forty-ninth session the programme for the Second Industrial Development Decade for Africa on the basis of a joint progress report submitted by UNIDO and ECA, and adopted resolution 49/107 of 19 December 1994 on the programme.

4. The Council of Ministers of the Organization of African Unity: seventeenth extraordinary session

29. In the Cairo Agenda for Action adopted by the OAU Council of Ministers at its seventeenth extraordinary session, held at Cairo in March 1995, which concerned "Relaunching African economic and social development", industrial development was highlighted as being central to structural change and to transformation of African economies. The Council called upon African

Governments to give priority to the formulation of a programme for industrial restructuring and the effective implementation of the programme for the Second Decade and emphasized that in that context the contribution and support of UNIDO would continue to be crucial.

5. Thirty-first ordinary session of the Assembly of Heads of State and Government of the Organization of African Unity

30. The thirty-first ordinary session of the Assembly of Heads of State and Government of OAU was held at Addis Ababa in June 1995. The Heads of State and Government adopted resolution AHG/Res.5(XXXI), in which they reaffirmed the fundamental role of industrialization and trade development for the economic and social development of African countries and reiterated the crucial role of UNCTAD and UNIDO for the industrialization, trade and development of African countries. The Heads of State and Government declared that the two organizations should be strengthened and reinvigorated. They welcomed the efforts made by UNIDO to restructure itself and to implement its priority programmes, and encouraged the Director-General to continue intensifying UNIDO efforts towards the accelerated industrialization of Africa.

6. Industrial Development Board

31. At its fourteenth session, in June 1995, the Industrial Development Board of UNIDO adopted decision IDB.14/Dec.16 in which it reiterated various appeals made by the Conference of African Ministers of Industry concerning the implementation of the programme for the Second Decade. It requested the Director-General of UNIDO, inter alia, to assist in the preparation and implementation of a programme for entrepreneurial training and development and to provide in-depth evaluation of the implementation of the programme for the Second Decade and its activities, including the updating of national subregional and regional programmes during the biennium 1996-1997.

7. Twelfth meeting of the Conference of African Ministers of Industry

32. The Conference of African Ministers of Industry, at its 12th meeting, at which was held at Gaborone, Botswana, from 6 to 8 June 1995, adopted resolution 1(XII) on the implementation of the programme for the Second Decade; resolution 2(XII) on mobilization of resources for industrialization; resolution 3(XII) on the development of the private sector for industrialization in Africa; resolution 4(XII) on the enhancement of women's contribution to the implementation of the programme for the Second Decade; resolution 5(XII) on the African Common Position for the Sixth General Conference of UNIDO; the reaffirmation of the commitment of Ministers of Industry to implement the programme of the Second Decade; and the Gaborone Declaration. In the resolutions and the Gaborone Declaration, emphasis was placed on the following main points:

(i) A commitment to creating an enabling environment for peace, security, stability and rule of law;

(ii) The building of key human and institutional capacities to support industrialization;

(iii) Undertaking mobilization and efficient utilization of domestic financial resources and attracting foreign direct investment;

(iv) Full involvement of the private sector to participate actively in the industrialization process of African countries;

(v) Measures to support efforts of the private sector to organize and mobilize itself to contribute effectively to the industrialization of Africa;

(vi) Meeting the challenges that would result from the globalization and liberalization of the world economy, the Uruguay Round and the growth of regional economic groupings;

(vii) Improvement of competitiveness, efficiency, quality management and the application of international standards;

(viii) Support to subregional and regional economic communities as well as to subregional and regional technological and scientific institutions;

(ix) Restructuring education systems to address the industrial development needs of Africa through technical education, vocational training, engineering and managerial education so as to promote the spirit of enterprise and to inculcate an industrial culture;

(x) Removing the socio-cultural constraints impeding the full involvement of women in the development of Africa.

B. Industrial sector programme review missions

33. In the closing months of 1994, UNIDO undertook a series of industrial sector programme review missions to the following 14 African countries: Benin, Botswana, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Kenya, Mali, Namibia, Nigeria, Togo, Uganda, United Republic of Tanzania and Zimbabwe. Similar missions are scheduled to take place in Cameroon, Chad, Central African Republic, Ethiopia, Eritrea, Gabon and Madagascar, as well as at the subregional level in the Eastern/Southern Africa and Western or Central Africa. The objective of the missions was an assessment of the status of industry and the countries priorities and the services that UNIDO could provide in relation particularly to the five substantive priorities of UNIDO, and to review the national programme for the Second Decade. The missions held consultations with the various national authorities such as government, private sector and the business community, and more importantly, the donor community, in the light of new developments, both national and international. The missions also ascertained the need for updating and reorienting the national programmes for

the Second Decade and its results would contribute to the preparation of the industrial sector component of the United Nations country strategy notes for the countries concerned.

34. The missions were led by senior staff of UNIDO, usually at managing director level. ECA also participated in some of the missions. For the countries visited, UNIDO is in the process of preparing a UNIDO support strategy focusing on the critical priority areas of particular relevance to a country. Detailed programmes and projects are being elaborated for promotion among various multilateral and bilateral funding agencies and financial institutions. The main focus of the country programmes, as determined during the missions, will be on the strategic management of industrial development, human resources development, quality control and standardization, the environment, private sector development, with emphasis on small and medium industries, and the implications of the Uruguay Round agreements for the industrialization of Africa.

35. UNIDO has approved US$ 750,000 from resources for the Second Decade for follow-up to the urgent action identified during the missions. A coordinating mechanism has been established within UNIDO to review the various recommendations of the missions and the necessary follow-up action. These include the preparation of the detailed matrixes and work plan, identification of focal points in UNIDO for substantive follow-up action and the preparation of synthesis reports and briefing material on each of the countries concerned, for use by UNIDO staff undertaking subsequent missions to the countries and by the legislative bodies of the organization, recipient and donor countries and other international organizations for information.

1. Ad hoc expert group meetings

36. Five ad hoc expert group meetings were organized during the period under review in order to provide an opportunity for high-level African experts to discuss, share their experience on specific topics and review the following technical publications prepared by ECA, before finalization, reproduction and distribution to African end-users, including planners, policy makers, industrialists, manufacturers and potential investors:

(i) "Possibilities and perspectives for the production of basic chemicals from natural gas in Africa";

(ii) "Promotion of investment and industrial projects in the context of the second Decade";

(iii) "Technology transfer, acquisition and negotiation";

(iv) "Development of African metal industries based on South-South cooperation";

(v) "Utilization and perspectives for integrated development of natural resources and for the production of phosphate".

2. Technical publications

37. Within the context of the Second Decade, the secretariat of the ECA has produced various technical publications during the period under review. In the field of industrial policies and planning, the thrust of ECA activities was directed at assisting African countries in reformulating and redesigning existing industrial policies and plans, as well as formulating new policies whenever necessary, with a view to reorienting such policies and plans towards facilitating the implementation of the programme for the Decade. The activities took the form of recurrent and non-recurrent publications.

38. Two issues of the bulletin Focus on African Industry were published. The articles in the two issues covered a wide spectrum, including the critical role of the informal sector in the development of indigenous industrial capabilities, privatization in Africa and the present status of African metallurgical industries and prospects for the year 2000. In order to assist African Member States in the development and promotion of entrepreneurial and technological capabilities, two directories of project profiles for small-scale industries were produced. The directories provided techno-economic information on, among other things, products to be manufactured, process descriptions, capacity and specifications of plant and machinery, raw materials and other inputs, financial requirements in the form of fixed and working capital, marketing and product distribution, and a programme to assist and advise small-scale industrial entrepreneurs in their manufacturing activities. A manual for trainers in the development of entrepreneurship in small-scale industries, was also produced and disseminated.

39. In order to assist member countries in their efforts to develop and promote industrial cooperation at the subregional and regional levels, the secretariat of the Commission prepared, in 1993, a technical publication on "Industrial development priorities and subregional cooperation in the context of the Second Decade"; it identified industrial priorities in each subregion and made concrete recommendations for the acceleration of African industrial development.

40. Other technical publications, on "Investment and financial policies and their impact on the development of indigenous industries", "Lessons from selected newly industrialized countries for the effective implementation of the Second Decade", "Sustainable financing of selected Second Industrial Decade multinational industrial projects in African subregions", "Selected technologies available for or without licensing in the context of the Second Decade", and, "Factors in enterprise formation in African countries", were among the non-recurrent publications produced with a view to providing African planners and policy makers with the necessary information for accelerating the industrialization process of the Continent.

41. The field of basic industries requires massive capital outlay and larger markets beyond the capacity of individual African countries and can therefore be optimally established through subregional and regional cooperation arrangements of multinational/transnational industrial enterprises. The fields of chemical, metallurgical, engineering and agro-industries are covered by ECA with a view to assisting member countries in their efforts to lay a solid foundation for the development and promotion of those industries. The six publications dealt with

specific related problems, such as the production and utilization of fertilizers in Africa and perspectives for their integrated development; manufacture of agricultural tools, implements and low-cost transport equipment by small-scale engineering industries; development and repair and maintenance of industrial facilities in Africa; and building materials and construction industries in Africa.

3. Africa Industrialization Day

42. Preparations for the commemoration in 1994 of Africa Industrialization Day (20 November) consisted of the preparation of a film, printing of posters and issuance of a joint statement by OAU, ECA and UNIDO. Africa Industrialization Day was celebrated in several African countries, at UNIDO headquarters and at the United Nations in New York and Geneva. In line with the theme of the Day, "The role of the private sector in African industrialization", a UNIDO film entitled "Private industry - engine of progress" was disseminated to all African countries. The theme for Africa Industrialization Day in 1995, "Human resources development with emphasis on support mechanisms for industry", is also reflected in a film which has recently been prepared. The themes for the 1996 and 1997 Days have already been established.

C. Technical cooperation and operational activities

43. The UNIDO 10-point programme for Africa served as three bases for technical cooperation and operational activities carried out by UNIDO:

(a) As a basis for the allocation of UNIDO resources for the Second Decade under its regular programme of technical cooperation;

(b) As a basis for the preparation of industrial sector programme review missions which helped determine the applicability of those points to individual African countries;

(c) As a basis for the preparation of a short-term support strategy which would concentrate on two core areas: agro-industries and small and medium-scale enterprises.

44. The emphasis placed on Africa by UNIDO is reflected in the volume of technical cooperation projects and programmes it carried out in Africa which, in 1994, amounted to $20.2 million, constituting 28 per cent of the total volume, while during the first eight months of 1995, new approvals of technical cooperation programmes and projects amounted to $23.2 million. In addition, delivery of supplementary activities financed from resources for the Second Decade from 1994 through August 1995 amounts to $2.4 million.

1. Technical assistance for the Second Decade

45. As part of UNIDO preparation of the technical assistance programme for the Second Decade, a new pre-screening process for project concepts came into

effect. This assessed the potential impact in terms of possible mobilization of financing of large-scale technical assistance projects or investment projects. The extent to which the projects addressed the above-mentioned 10 points was reviewed. The pre-screening process also evaluated the degree to which the following five main development objectives of UNIDO are met:

(a) Industrial and technological growth and competitiveness;

(b) Development of human resources for industry;

(c) Equitable development through industrial development;

(d) Environmentally sustainable industrial development;

(e) International cooperation in industrial investment and technology.

2. Industrial and technological growth and competitiveness

46. In Egypt, a major problem facing the paper industry mills which use non-wood pulp is waste products. Technology developed by UNIDO was installed for the treatment and desilication of black liquor, as a result of which a 90 per cent reduction in effluent was achieved. UNIDO also assisted in the evaluation and selection for the most appropriate of the three available technologies.

47. A major problem facing African industrialization is the weak engineering capability and base. To this end, in Nigeria, a programme was initiated which aimed at establishing infrastructure and institutions. Specifically, small-scale industries were assisted in contributing to the country's engineering base through the provision of services.

48. In order to enhance quality management in Nigeria, Uganda and Zimbabwe, UNIDO helped in the establishment of national bureaux of standards. Through the establishment of the standardization bodies, it is hoped that the development of the private and public industrial sectors will be assisted.

49. In the field of national programmes for small and medium-scale industries, work was initiated in several African countries. In Madagascar and Nigeria policy analysis and advisory services to develop national capabilities in designing and managing policies, strategies and programmes for supporting the development of the sector were initiated. By this activity, it is hoped that the policy and institutional environment will be enhanced.

50. UNIDO was also involved in acting as an adviser to the Government of Sudan on privatization. Through UNIDO technical cooperation in privatization, long- and short-term advisers were provided, as well as the training of counterparts. In addition to strategic policy and institutional advice, special emphasis was required in creating a social safety net to deal with the consequences of unemployment that accompany privatization.

51. An expert group meeting, which was organized in collaboration with the Africa Accounting Council, addressed cost accounting for industrial enterprises in Africa. Twenty African consulting firms participated in a regional seminar on industrial consultancy and engineering. In Ethiopia and Zambia, the issue of management development was addressed through national seminars. Through the seminars and expert group meetings, the aim was to strengthen management consultancy capacities.

3. Development of human resources for industry

52. Paradoxically, developing countries often have trained personnel who cannot find employment, and simultaneously have jobs for which no local skills exist. The integrated human resources development approach of UNIDO focused on linkages with educational systems and included this dimension in technical cooperation activities. The following are some examples of capacity-building through sector-specific examples.

53. In the leather and footwear industries, education and training were identified as constituting a human resources development imperative. To this end, the organization launched an Africa-wide human resources development training programme. A training and production centre for the shoe industry in Kenya was commenced and initial training courses have started. The centre, which was established with revolving funds, was created during the first phase of the regional Africa leather and footwear industries scheme.

54. The integration of women into industrial development is a key human resources development activity. To this end, training activities were developed and conducted in various teams. In Kenya, a training scheme was designed for women entrepreneurs for the manufacture of garments and associated products. Special emphasis was placed on the development of entrepreneurial skills, in production, design and marketing. The success of this programme has meant that it will be introduced in Uganda and the United Republic of Tanzania, with links to the original Kenyan project.

55. In the United Republic of Tanzania, a large-scale training programme which began in 1993 was continued for women entrepreneurs in the food-processing sector. This consisted of building entrepreneurial awareness, enhancing management skills, and building technical knowledge to enable the women entrepreneurs to establish and run small food-processing units. As a beneficial side-effect, this programme also had relevance in alleviating poverty. At the University of Agriculture in Morogoro, a four-week programme of training for trainers featured a workshop for 17 participants which was the first of its kind organized in that country.

56. UNIDO cooperated with the United Nations Department for Development Support and Management Services in Ethiopia in implementing an entrepreneur development programme. The initial stage of this programme included entrepreneurship workshops for local staff in Addis Ababa and in other regions. Development banking also received technical assistance in the shape of help to the National Commercial Bank of Ethiopia. The Department's EMPRETEC model was combined with UNIDO experience in entrepreneurial and management skill development in the

nascent private sector of Ethiopia. In addition, the Bank received training in project evaluation and in various aspects of credits and loans for small-scale industries.

57. Integrating women and youth into the development process is an integral part of the strategy for poverty alleviation. In order to enhance capacity at the community level, with the support of UNDP, in both Cape Verde and the Gambia, UNIDO placed emphasis through this programme on rural women improving their legal and social status through better access to education, credit and technology.

58. Training activities were also undertaken in Uganda on technology acquisition and negotiation.

4. Equitable development through industrial development

59. Through the revolving fund programme, UNIDO aimed to boost the activities of promotion institutions and establish a new system for rural industry promotion in Guinea Bissau, Mozambique, Uganda and Zambia. The assistance was in the form of a rural development programme that highlighted industrial activities that lead to income generation.

60. Manufacturers in Africa are hampered by the lack of access to suitable technologies, acceptably priced raw materials of equal quality, and promotion and extension services. UNIDO sought to overcome these constraints through cost-effective solutions and technical assistance to the agro-related metal-working sector.

61. To this end, in the informal sector in Kenya, which is known as Jua Kalis, UNIDO provided training and technology upgrading. This sector consists of 400 associations and about 1 million individual members, and the project has been acknowledged as highly successful. One of the objectives of the programme is the gradual integration of this sector into the economy as a whole in both Kenya and Uganda. It is thus expected that a greater utilization of spare capacity will result, generate greater general investment and lead to foreign exchange savings.

62. In collaboration with the African Regional Centre for Engineering, Design and Manufacturing (ARCEDEM), capabilities in engineering design, manufacturing and maintenance of industrial machines and equipment have been developed. In cooperation with ARCEDEM and based on these new capabilities, a regional project has begun through which the Centre will design, manufacture and transfer prototype hydraulic maintenance presses. The countries involved are Congo, Nigeria, Uganda and Zambia.

5. Environmentally sustainable industrial development

63. Formulation strategies for environmentally sustainable industrial development which are aimed at establishing environmental goals and action plans constitute a consultative process for creating national capacity. To this end,

UNIDO, with the cooperation of the World Bank and ADB, supported the formulation of such strategies in Madagascar, Morocco and Mozambique. By the end of the project, the countries will be equipped with plans, policies and priorities on a sectoral basis, which will result in the mitigation of the deleterious effects on the environment of industrial activities.

64. In the field of biomass energy for industrial development, UNIDO launched a thematic regional programme. The search for new and renewable energy is important to many industrial activities. The first phase of this programme concerned Ghana, Uganda and the United Republic of Tanzania, and involves increasing the efficiency of wood use, in the brick, lime, tobacco and rubber small-scale industries, and also the potential use of biomass waste materials which could provide a potentially substantial source of energy and a basis for industrial activities.

65. In late 1992, UNIDO became an implementing agency of the multilateral fund for the Montreal Protocol on Substances that Deplete the Ozone Layer, of 1987. This concerns the phasing out of ozone-depleting substances in keeping with international conventions and protocols concerning environment matters. To this end, in late 1994, from the funds allocated to UNIDO resources and covering project formulation and projects for the phasing out of such substances, activities were initiated in Algeria, Cameroon, Egypt, Kenya and Nigeria.

66. In joint action with the United Nations Environment Programme (UNEP), UNIDO prepared a country programme and an investment project in the foam sector in Egypt, which resulted in a major reduction/phase-out of ozone-depleting substances on an annual basis.

67. UNIDO technical assistance activities were concerned with strengthening capability in the management of resources and energy conservation in small and medium scale industries. In Kenya, 40 to 50 professionals from selected industries were trained in a series of seminars in practical methods and techniques for the preparation and execution of energy-related measures. This resulted in improved staff capability in identification preparation, implementation and evaluation of energy conservation-related measures. Standardized training materials for project analysis and evaluation through the application of didactic and audio visual aids developed by UNIDO and computer-based energy conservation project evaluation and reporting systems applying ENERCOST software, also developed by UNIDO, were made available. The programme consisted of sensitization and awareness seminars; plant audits; recommendations on energy-saving operations and technologies; energy-saving/conservation measures: assistance in the production of selected energy-efficient equipment; and assistance in energy management and in equipment maintenance. These energy audits had a great impact and the programme had a multiplying effect.

6. International cooperation in industrial investment and technologies

68. Emphasis in UNIDO changed from regional to national or sectoral programmes. With respect to investment promotion programmes, including the organization of

investment forums, a forum for Common Market for Eastern and Southern Africa (COMESA) countries was to be held in Uganda also covering Ethiopia, Eritrea and Kenya. Through this, a large number of individual projects were furthered by means of feasibility studies, pre-screening and international promotion through the UNIDO network of Investment Promotion Service (IPS) offices.

69. In order to create an enabling environment for accelerated industrial growth, UNIDO provided individual African Governments with legal advice on the basis of which they could enact or revise laws favourable to private investment. Support was also given to a number of countries in the African region for setting up or revamping institutional infrastructure for the promotion of both domestic and foreign investments. The training component of these programmes receives major emphasis.

70. Zambia adopted market liberalization and private sector development as an integral part of its economic reform programme, in moving away from its past socialist development strategy, which had been dominated by a rigid, inefficient centralized state sector. The five components of the private sector development programme, briefly summarized, are: (i) establishment of a one-step investment centre; (ii) assistance to Legal Affairs in legal reform and drafting; (iii) strengthening the capacity of the Ministry of Commerce, Trade and Industry to formulate and promote private sector policy; (iv) support of small-scale enterprise development; (v) support to the Zambia Privatization Agency; and (vi) assistance in establishing a stock exchange. These measures will help create an enabling environment. As this programme was initiated by UNIDO, a diagnostic survey of the rehabilitation needs of nine agro-industrial enterprises was also undertaken.

71. In Nigeria, assistance to rural women engaged in salt processing in the Plateau State, at the request of the Government, led to UNIDO making a survey of brine deposits to improve traditional methods and improve efficiency of production, and to introduce and spread the use of solar evaporation methods to replace the wood-fired brine heating system. Surface-level deposits were deemed to be of poor quality, and therefore boring holes in the ground helped obtain higher-quality brine. The tangible benefits of this work were: increased quality production of salt; enhanced income generation for rural women; training and better information through the provision of simple technology; and the use of solar evaporation methods leading to less deforestation and saving of foreign exchange when salt did not need to be imported. The project activities have been recorded by UNIDO in a film documentary to enable duplication in other countries.

72. In Mauritius, a successful project concerning the installation of a consultancy system was established for productivity improvement on small and medium industries, with special emphasis on the garment sector. The main objective was to bring Mauritian industry to a skill- and capital-intensive level and to diversify industry. Productivity improvements in the concerned industries ranged from 120 to 250 per cent; three counterparts from the Export Promotion Centre were trained; a local consultant was trained in industrial consultancy methods of analysis of productivity; a computer-aided design (CAD) system for garment production was prepared; and a strategy for promotion of women entrepreneurs, with several ministries involved, was prepared. Donors

have expressed interest in further support and this project has a direct impact on export industries.

73. The role of UNIDO in promoting FDI is reflected through its Investment Promotion Service, which successfully promoted about 100 investment projects in Africa in the biennium 1992-1993. The scope of the Round Table of African Investment Promotion Centres (IPCs), held in September 1992, which was organized jointly by UNIDO, OAU and ADB, was to bring together representatives of African IPCs and UNIDO IPS offices to establish an investment promotion network; the aim was to increase the mobilization of resources for investment into Africa, among other things by adopting the UNIDO methodology and tools. Three investment forums are being organized in 1995 in Morocco, Ghana and for the countries of the Preferential Trade Area for Eastern and Southern African States (PTA) in Uganda. Special searches are being carried out in other African countries to find possible investment projects that can benefit international promotion and support.

74. Four investment forums were held in 1994 and 1995: a PTA regional investors' forum for 21 members States of PTA (financed by UNIDO) held at Lusaka, from 18 to 21 January 1994; an investors' forum for Indian Ocean island countries (co-financed by UNIDO and UNDP) held at Antananarivo, Madagascar from 12 to 15 April 1994; an investors' forum for Zanzibar, United Republic of Tanzania (financed by UNDP) from 25 to 28 April 1995 and an investment forum for Ghana (financed by UNIDO) from 27 to 30 June 1995. Two other forums (both financed by UNIDO) are under preparation: a Middle East economic conference with three participating countries from Africa (Egypt, Morocco and Tunisia, in addition to Jordan and Palestine) to be held in Amman from 29 October to 1 November 1995 and a regional investors' forum for selected COMESA countries (Eritrea, Ethiopia, Kenya and Uganda), to be held in Kampala from 28 November to 1 December 1995. Searches are being carried out in other African countries to find possible investment projects that can benefit from international promotion and support.

75. Under the technology development programme for the Second Decade, national workshops were held in Ghana, Kenya and Namibia with the objective of providing self-assessment and prioritization of the main problems and issues for industrial technology development in these countries, and identification of the policies, strategies and actions required to deal effectively with them.

76. A pilot workshop was held in Kenya to assist selected small and medium enterprises in the introduction of modern technology management techniques and instruments with a view to enhancing their competitiveness in both domestic and international markets. In parallel, UNIDO is preparing a manual for self-diagnosis of critical technological needs for sustained competitiveness at the plant level, the core of which could be applied to all developing countries.

77. Workshops were also held in Malawi and Uganda to create awareness of general and specific issues of technology transfer as they affect the development process, and to apprise negotiators of contractual provisions and principles as they influence the success of the technology transfer process.

78. Case-studies of successful technology transfer in Mauritius and Senegal are being prepared, and the African Technological Information Exchange System (TIES) Guide is being updated. The sixth African-TIES meeting is planned for November 1995. This is a forum for exchanging information and ideas on developments relating to technology transfer and competitiveness, and for reviewing past and future cooperation activities in the region.

7. Technical advisory services

79. ECA undertook advisory missions to 15 countries during the period under review aiming at facilitating improvement in capabilities for formulating policies and strategies within the context of the Second Decade. Following the missions, detailed reports, with proposals on the formulation of industrial policies and development plans, were prepared and sent to the countries concerned. The reports also provided guidance for the implementation of national programmes for the Decade. In addition, the secretariat of the Commission continued to provide ARCEDEM and the African Regional Center for Technology (ARCT) with various kinds of assistance, such as administrative backstopping and training of trainees in the two centres.

8. UNIDO short-term support strategy for African industry

80. The socio-economic concerns of Africa that the strategy addresses are poverty alleviation, income generation, population growth and enhancing the competitiveness of African industry. It also addresses global issues such as the Uruguay Round agreements, the external debt of Africa in respect of the industrial sector and new technologies and technological advantages. It deals with issues related to regional and subregional cooperation, concerning in particular the implementation of the Treaty establishing the African Economic Community, especially the protocols pertaining to industry, technology and energy.

81. The paramount focuses of the strategy are private sector development and the role of that sector in the industrialization process, plus the emphasis on the need for greater cooperation between UNIDO and the organizations of the United Nations system (especially ECA), and also with development finance institutions (such as ADB), as well as African regional and subregional organizations (such as OAU and COMESA).

82. As noted earlier, UNIDO is in the process of preparing support strategies for individual countries focusing on critical priority areas of particular relevance to the country, using findings derived from the industrial sector programme review missions. Given the limited human and financial resources available, the strategy recommends that in the initial stages of 1994-1995, and based on the UNIDO 10-point programme, the area of concentration should be agro-related industries and small and medium-scale industries.

9. UNIDO short-term technical advisory services

83. During the period under review, however, the activities of UNIDO relating to the Second Decade included a full range of the investment project life cycle and form an essential part of the mobilization of financial resources for the Decade. Support is being given in a number of specific cases, funded from UNIDO resources dedicated to the Decade for short-term technical advisory services. These services cover a wide field of activities, ranging from elaboration of the investment concept to revision of a feasibility study.

84. Under the short-term technical advisory services, 35 experts or consultants were deployed in 21 countries in 1994, covering four broad areas of support:

(a) Revising and updating national and subregional programmes for the Second Decade and preparing strategic implementation plans: this includes advisory services on industrial policy;

(b) Preparing integrated packages of investment and technical assistance projects for presentations to investors and donors: this also includes the preparation of individual projects;

(c) Advisory services in relation to investments or negotiations;

(d) Advisory services in relation to technology development and acquisition.

85. By December 1994, the following had been approved for the above purposes, for the four types (by percentage): (a) 28 per cent; (b) 37 per cent; (c) 17 per cent; (d) 11 per cent; and others, 7 per cent. The activities covered six countries in Southern Africa (Botswana, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe), three in Eastern Africa (Kenya, Uganda and the United Republic of Tanzania), one in the central region (Angola), nine in the western region (Burkina Faso, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Niger and Nigeria) and two African Indian Ocean States (Madagascar and Mauritius).

86. Experts worked closely with Governments, representatives of the business community, donor institutions and the private sector in varied fields. An outline of some of the activities is highlighted and summarized below.

(a) Human resources development

87. A training programme in the use of the methodology for assessing and programming production/consumption systems (MEPs) in the fisheries sector in Namibia was to be implemented. In the small and medium-sized private sector enterprises in Guinea-Bissau the skills of Trade and Investment Promotion Service staff were appraised, evaluated and upgraded, and future on-the-job training needs identified. Twenty-five management participants from East and Southern Africa were trained in the application of Computer Software for Investment Project Appraisal (COMFAR) in the United Republic of Tanzania.

(b) Finance

88. An assessment of the potential for industrial use of medicinal and aromatic plants indigenous to Swaziland was undertaken. A feasibility study was carried out on the establishment of an industrial subcontracting and partnership exchange in Mauritius. Assistance was given for a feasibility study in Mali as to the viability of setting up an industrial unit producing paper using a local raw material. An examination was undertaken in Kenya on the potential for the development of an indigenous electronics industry. Another expert's investigation aided the investment decision of the Gambia as to the viability of a soft-drink bottling industry.

(c) Private sector

89. A training programme for women entrepreneurs on the food-processing industry was initiated in Kenya. The setting up of investment programmes, which involve the identification, formulation, screening and promotion of investment projects and, in addition, holding investment forums in Côte d'Ivoire and Ghana, were undertaken. Conversion to the market economy through enterprise restructuring and privatization programmes was embarked upon, with major work done in Angola and Niger.

(d) Industry/technology

90. The expert to Angola suggested measures to revamp the industrial directorate and its staff input through training. A technical assistance programme was also formulated. In Côte d'Ivoire, another expert formulated a restructuring plan aimed at improving the capacity of the Ministry of Industry in the management of industrial development. A project document was updated and reformulated in the field of industrial repair and maintenance in Burkina Faso. Market surveys on the feasibility of developing food processing/agro-industry products were undertaken in Guinea. Restructuring of the Ministry of Industry and Energy was supported in Mozambique. A technical assistance programme was prepared in the area of small and medium-scale mining in Botswana. Advice was given on the basis of assessments into procedures and standards in the production and marketing of pharmaceuticals in the United Republic of Tanzania.

91. As part of the preparation by UNIDO of the technical cooperation programme for the Second Decade, a new pre-screening process for project concepts has become fully operational. This process includes an assessment of the potential of projects for generating additional technical cooperation or investment projects, the extent to which the projects address the 10 points mentioned earlier, and the degree to which the five main development objectives of UNIDO 10/ are met. The following section gives examples of Decade-related technical cooperation projects carried out by UNIDO under each of its development objectives.

IV. KEY ISSUES CONNECTED WITH IMPLEMENTATION OF THE PROGRAMME FOR THE SECOND DECADE

A. Private sector development

92. The private sector has to be fully involved in the Decade programme and also in industrial policy dialogue. However, in many cases, the institutional basis for such involvement is not there, which means new approaches are needed to policy formulation. The private sector has to be encouraged to increase its involvement in the formulation of industrial policy and the determination of national programmes for the Second Decade.

93. UNIDO technical assistance in industrial policy, especially using the strategic management of industrial development approach, has provided the foundation for such a dialogue in a number of countries and subregions in Africa. African industrialists have to feel that the programme for the Decade is their programme and that it meets their needs, and that the changes in policy, institutional developments and the investment steps outlined in the programme are those that will be of most benefit to them.

94. Given the special role that the private sector has to play in African industrialization, it was considered desirable by UNIDO to secure its views and advice on the eight recommendations made by experts/consultants of the Joint Committee of the four organizations for submission to the meeting of the chief executives. In this regard, a meeting of experts from private sector organizations in Africa and in other parts of the world was organized by UNIDO; the African Business Round Table, organized in cooperation with the Government of Côte d'Ivoire, was held in Abidjan in January 1995. The meeting considered plans for the private sector forum to be held simultaneously with the twelfth meeting of the Conference of African Ministers of Industry.

95. The meeting, in addition to giving its views and advice on the recommendations of the ECA/OAU/ADB/UNIDO meeting of technical experts, also discussed and advanced suggestions on ways and means of enhancing the specific roles which African Governments, intergovernmental organizations, notably OAU and ADB, the private sector and the international community, especially UNDP, ECA, the World Bank and UNIDO, could play in fostering African industrialization. Where little or no dialogue between the Government and the private sector existed, it was agreed that it had to be initiated. The establishment or reactivation of a national committee on the Second Decade was a crucial first step.

96. The meeting also considered that if integration into the global mainstream was to be achieved, the marginalization and inward-looking economic trends of industry had to be reversed. The need to define a long-term vision for individual countries' industrial development was stressed. The consequences of the General Agreement on Tariffs and Trade (GATT)/Uruguay Round agreements on the industrial sector were discussed, with the need for structural change emphasized in industrial base and competitiveness. Governments should assist the private sector.

97. An analysis of the impact of the CFA franc devaluation on the industrial sector was discussed along with Africa's external debt; the burden of servicing that debt on export earnings was noted as a real financial constraint on African industrialization. It was observed that the debt crisis was long-term in nature. The need for the further involvement of ADB in viable industrial private sector projects was recognized. Entrepreneurs struggled to gain access to funds, owing in part, to the absence of efficient mechanisms to facilitate the mobilization of financial resources. The potential for increased mobilization of domestic resource for industry was discussed, especially previously untapped sources such as pension funds. Development banks overall were deemed to have performed poorly.

98. The recommendations of the meeting constituted a major input into the substantive preparations for the private sector forum organized jointly by UNIDO, the UNDP Regional Bureau for Africa and the African Business Round Table in cooperation with the Government of Botswana, ECA and OAU, and held in Botswana from 3 to 5 June 1995 on the occasion of the twelfth meeting of the Conference of African Ministers of Industry. The forum was organized around four themes: (i) creation of an enabling environment for private sector development and promotion; (ii) implications of the Uruguay Round agreements; (iii) mobilization of resources for private sector development in Africa; and (iv) regional cooperation and the role of the private sector. The report of the forum was presented to the twelfth meeting of the Conference, which expressed appreciation of the initiative taken to organize the forum.

99. The overall objective of the private sector forum was to address the main problem of industrial development and industrial competitiveness and the potential for private sector participation. More specifically, the aim of the forum was to advance recommendations on the following:

(a) To enhance the involvement of the private sector with industrialization in Africa, including financing;

(b) To foster greater cooperation between the private sector and multinational institutions;

(c) To identify the steps that Governments must take to create a suitable environment to enable the private sector to play a meaningful role in the industrial development of Africa;

(d) To establish a system of consultations and cooperation between the private sector, Governments, regional and subregional organizations, development finance institutions, other international finance institutions and potential partners, for the development of the industrial sector in Africa.

100. The forum was attended by some 350 representatives, including ministers. It adopted recommendations on concrete measures addressing: the creation of an enabling environment for private sector development and promotion; the implications of the Uruguay Round agreements and technological advances for the performance of the African industrial sector; the mobilization of financial resources for private sector development in Africa; and regional cooperation and

the role of the private sector. It also adopted a mechanism for follow-up action.

B. Impact of the devaluation of the CFA franc on the industrial sector

101. An international development of significance for African industry in 1994 was the devaluation of the CFA franc, which has altered the basis of competitiveness in a number of countries, with immediate and dramatic effects on their economies.

102. Within the framework of the programme for the Second Decade, UNIDO organized workshops in West Africa and in Central Africa on the impact of the devaluation on the manufacturing sector in the countries of the subregions. The first workshop was held in Bamako in June 1994, in cooperation with UNDP, for West African countries of the Franc zone, and the second in Brazzaville in November/December 1994, for the countries of the Central African Economic and Monetary Community (CEMAC).

103. The workshops revealed the lack of information concerning the devaluation and its implications, especially in the private sector. The main recommendations included the setting up of a follow-up mechanism at the national and subregional levels comprising representatives of the public and private sectors. Measures were recommended to effect essential structural changes. These included enhancing subregional cooperation and integration, which is a vital means to revitalize the manufacturing sector and trade liberalization and should lead to a greater utilization of local production capacities to meet the needs of expanding markets in neighbouring countries, where imported products from outside the Franc zone were becoming more expensive.

104. Various areas in which UNIDO could provide technical assistance were identified. Those included assistance to the chambers of commerce and industry and to professional associations in the design and implementation of sensitization campaigns and programmes aimed at promoting increased consumption of locally manufactured products, including quality improvement and packaging; updating of the inventory of industrial enterprises in the subregion; analysis of industrial branches/subsectors with strong potential for growth and competitiveness in the subregional, regional and international markets; industrial mapping of West Africa representing, inter alia, the main agro-industrial centres; and existing local and subregional subcontracting opportunities in order to stimulate new investment in that field and technical advice to engineering and consultancy companies. Follow-up currently under preparation by UNIDO includes assistance to the Central African Customs and Economic Union (UDEAC) countries in the assessment of required strategy changes at the national and enterprises levels.

C. Implications of the Uruguay Round agreements for the industrial sector in Africa

105. African industrial enterprises have to become more competitive both in order to withstand the challenge of increased imports on their domestic markets and to exploit the new opportunities offered by a more liberalized world trade environment. The need for action is heightened by the new world trade environment resulting from the Uruguay Round. Concerning the implications of the Uruguay Round agreements for the industrial sector in Africa, UNIDO prepared a paper entitled "Implications of Uruguay Round agreements on African developing countries: need for reorientation of industrial strategies and programmes", for the international conference on the Uruguay Round of multilateral trade negotiations, held in Tunis in October 1994.

106. The paper stressed that while African countries might derive some short-term benefit from the export of primary commodities, because of a weak industrial base they did not stand to gain much. Furthermore, they were not in a position to compete in the world market on manufactured products, which would constitute the major part of trade.

107. Two projects have been formulated and are being implemented in 1995 in this field:

(a) Implications of the Uruguay Round agreements for African countries. Need for reorientation of industrial strategies and programmes in the agro-based industrial enterprises, covering eight francophone countries. The objective of the project is to enable the Governments of Benin, Côte d'Ivoire, Guinea, Mali, Mauritania, Niger, Senegal and Togo, as well as the Economic Community of West African States (ECOWAS), to carry out, through a diagnostic and prospective study of those showing the highest development potential, an integrated support programme for agro-based industries. That programme aims at improving the competitiveness and development of export capabilities of agro-based industries in ECOWAS countries, taking into special consideration the implications of the Uruguay Round agreements;

(b) Country-level assessments of the impact of the Uruguay Round agreements on the export supply capabilities of manufacturing industries in selected African countries. The objective of this project, to be carried out jointly with UNCTAD, is to assist the Governments of Mozambique, Uganda, United Republic of Tanzania and Zambia to carry out, through a diagnostic study, a country-level assessment of the impact of the Uruguay Round agreements on the export supply capabilities of their manufacturing industries, thereby enabling them to adapt their economic policy measures to the agreements of the Uruguay Round in order to benefit from trade liberalization.

D. Competitiveness

108. African industrialization is being addressed also within the broad areas of competitiveness. So far, Africa's share of world exports of manufacturing is a tiny one. The major thrust of industrial growth in Africa will be in the area of small and medium-sized enterprises, and their establishment through expanded

entrepreneurship programmes will be of great significance. However, if industrial growth is to be self-sustaining, an outward approach is necessary. The growing emphasis on international product standards and quality systems, including the adoption of ISO 9,000 and ultimately ISO 14,000, is of fundamental importance for African countries in their efforts to improve their competitiveness and will increasingly be the focus of UNIDO support services. With the technical assistance programme for the Second Decade, for instance, there will be a regional project focusing on quality infrastructure.

E. National programmes for the Second Decade

109. The Second Decade is based upon the national programmes. Instead of a central integrated programme for the whole of Africa, it was decided to draw up programmes at national and subregional levels which, in the aggregate, would lead to the programme for Africa as a whole. The programme for the Decade thus derives from the national programmes of the African countries themselves.

110. While clear advantages accrued in shifting the approach by placing the Decade programme on firmer ground, there were costs in terms of timing. To draw up national programmes and then follow these up with subregional ones and synthesize these into an Africa programme was a demanding process and its conclusion delayed the introduction of the Decade until 1993.

111. Another difficulty was the period of time. National programmes were drawn up when most economies were in transition owing to fundamental economic policy changes in many countries. The programmes of structural adjustment that were initiated acted upon the economic climate and policy environment for industrialization. Programmes of privatization were initiated and indeed a fundamental rethink of the role of African governments was the norm. The national programmes soon needed to be revised and updated to represent more accurately the initial conditions of the Second Decade.

112. Some countries have already undertaken updating of their national programmes, and a number of others have indicated their wish to do so. The programmes will also require restructuring to reflect the new role of the private sector. This is particularly so with respect to the question of investment priorities, where it is the private sector, rather than State-owned enterprises, that will be making investment decisions.

F. The role of the Ministry of Industry

113. In Africa, the extensive policy changes of recent years have had an important and telling effect on the structure of government itself. Structural adjustment has entailed diminution of the size of the public sector. Industry ministries have lost staff and a wide range of responsibilities, especially in regulatory and resource allocation functions. With the reduction or abolishment of exchange controls, foreign exchange allocation is no longer an issue. When there is competition to attract investors to Africa, specific governmental approval is no longer a stumbling-block or major policy decision, as in the past. As well as losing functions, ministries are losing information.

Privatization programmes mean that industries that used to report directly to ministries no longer do so. Ministries thus lack a broad overview of the progress being achieved in reaching industrial development goals.

114. New information systems and statistical systems have to be set up but it is most important to keep channels of communication open between government and the private sector to make sure that institutions are in place that reflect the needs of industry. In some countries, the strategic management of industrial development process has been important in this regard. In others, the need for reactivation of the national committees for the Second Decade, or for industrial development in general, is a key issue.

115. Some of the difficulties in institutional arrangements associated with the implementation of the Second Decade have been outlined. A second set of difficulties relates to resources. As noted in section III, A above, continued economic problems mean that mobilization of domestic resources for industrial investment cannot be achieved easily in Africa. Foreign investment in Africa regrettably remains at low levels and, worse still, ODA to Africa is in decline. The possibilities for accelerated industrial growth in such unfavourable circumstances are very limited. New approaches to the problem of financial resource mobilization will be a continuing concern.

116. In general, UNIDO has adopted the "seed money" approach in the assessment of technical cooperation and supplementary activities financed from Decade funds and projects are favoured if they seem likely to lead to investment or large-scale technical cooperation projects. Investment promotion is also carried out by UNIDO and, in many cases, in a number of countries and subregions, projects have been successfully promoted. However, this has not usually been directly related to the national programmes for the Second Decade, because the investment projects contained therein have not been brought to the stage where they can be promoted to actual investors, since the basic pre-investment studies have usually not been carried out.

117. In respect of financial resources for the Second Decade, Governments have an important role to play as it is they who negotiate through ministries of finance or development, and cooperate with bilateral and multilateral donors and the development finance institutions and, in so doing, indicate their priorities for assistance and investment. The degree to which the Decade figures in these discussions will thus have a very significant effect on the financing of the programme.

G. Regional and subregional cooperation

118. The Treaty establishing the African Economic Community has gone into effect, while that establishing the Common Market for Eastern and Southern Africa (COMESA) has been ratified. Other subregional organizations, such as UDEAC, are being revitalized. These developments provide renewed impetus to regional and subregional cooperation in Africa, since they all emphasize industrial cooperation. There is thus a need to review the subregional programmes for the Decade in order to realign them with current demands of the respective subregions.

119. The re-emergence of South Africa into the international community is an event of particular significance for industrialization in Africa. South Africa has joined OAU and the Southern African Development Community (SADC) and can be expected to play a very significant role in regional and subregional economic cooperation. South African manufacturing is the largest and most diversified on the Continent. UNIDO has completed a study on the impact of this change on manufacturing in the subregion and the prospects for subregional cooperation. The study identified a number of activities that could be undertaken by subregional organizations, such as the PTA and SADC. They include main cooperation among them in the areas of industrial policies, institutional development, human resources development, technology and investment.

V. COOPERATION, COORDINATION AND HARMONIZATION

A. Activities undertaken jointly by UNIDO and ECA

120. The fifteenth meeting of the Joint Committee of the OAU, UNIDO and ECA secretariats on the implementation of the programme for the Second Industrial Development Decade for Africa was held at ECA headquarters, Addis Ababa, from 5 to 8 September 1994. The main objectives of the meeting included: review of decisions, resolutions and recommendations of the eleventh meeting of the Conference of African Ministers of Industry, the Fifth General Conference of UNIDO, and fourteenth meeting of the Joint Committee; preparation of the bureau/committee of 10 meetings; and preparation for the twelfth meeting of the Conference of African Ministers of Industry.

121. During its deliberations, the meeting agreed on the provisional agenda for the twelfth meeting of the Conference and for the preceding meeting of the intergovernmental committee of experts of the whole on industrialization in Africa. The meeting also agreed on documents to be prepared and presented to the twelfth meeting of the Conference on specific issues, such as participation of the private sector in the implementation of the programme for the Second Decade, mobilization of financial resources for the implementation of the programme, and development of human resources for industrialization in Africa.

122. Given the importance of OAU, ECA and ADB, in concert with UNIDO, in promoting African industrialization, the Director-General of UNIDO invited the heads of the other three organizations to a meeting to identify ways and means to mitigate problems and agree on a common and coordinated approach. In November 1994, following consultations, a meeting of technical experts of the four organizations was held to prepare the meeting of the chief executives. Background papers prepared by consultants, and other documents, were made available to the four organizations.

123. UNIDO also cooperated with ECA in the organization of a workshop on the participation of women in manufacturing: patterns, determinants and further trends in Addis Ababa on 16 and 17 August 1994.

124. The implementation of these activities is a result of the decision taken by the Director-General of UNIDO and the Executive Secretary of ECA to coordinate and harmonize their activities geared towards the realization of the programmes

for the Second Decade. In this regard, the cooperation agreement between the two organizations has been revised.

125. UNIDO has also signed a memorandum of cooperation with the African Business Round Table and the cooperation agreement with PTA revised in time with its transformation into COMESA.

B. Activities undertaken jointly by ECA, OAU and other United Nations agencies and international organizations

126. The secretariat of ECA participated actively in the meetings of the joint OAU/ECA/ADB Secretariat organized in 1993 and 1994. The objectives of these meetings were to review the social, political and economic issues, especially those pertaining to Africa, and make recommendations to alleviate the problems and constraints. Working papers to be presented to the OAU Council of Ministers at its special session, as well as the preparations for that session, were examined during the meeting of 8 November 1994. The special session on social and economic issues in African development was scheduled to be held at Cairo in April 1995.

127. In January 1994, ECA and the International Labour Organization (ILO) held a meeting in Addis Ababa on a study of a macro-policy framework for small-scale industries. The meeting reviewed the zero draft study and made recommendations which should be taken into consideration during the finalization of the study.

128. During the period under review, the secretariat developed and strengthened its relations with various international institutions such as the World Assembly of Small and Medium Enterprises (WASME) and the Islamic Development Bank. The seventh International Conference of Small and Medium Enterprises, organized jointly by the Government of Ethiopia, WASME, ECA and UNIDO, was held in Addis Ababa from 9 to 11 March 1994. Attended by more than 250 representatives from 45 countries of Asia, Africa and Europe, as well as seven international, regional and non-governmental organizations, it deliberated on the theme "Challenges and opportunities for small and medium enterprises in the new global economic environment". An International Trade Fair was also organized at short notice, and attracted the participation of 30 companies from 10 countries. Significantly, this is the first time an international conference on these enterprises has been held in Africa, underlining their emerging and important role in Africa in the coming decades.

C. Activities undertaken by UNDP

129. For the sake of industrial facilitation, UNDP requested UNIDO to reformulate, in consultation with the PTA/SADC and ECOWAS, a programme aiming at strengthening the capacity of the intergovernmental organizations to put in place a mechanism to achieve a process of consultation and policy dialogue between the private and public sectors. UNIDO completed a report on industry in southern Africa entitled: "The impact of change", the purpose of which was:

(a) To analyse the impact of change in South Africa on manufacturing in the subregion;

(b) To identify the scope of industrial cooperation;

(c) To provide information on industry in South Africa and the subregion.

130. UNDP has also committed itself to support private sector development which, among other things, includes industrial promotion activities relating to entrepreneurship development, environmental protection and management. In this regard, UNDP, with other development partners, and ECA as the lead agency, will support financially the regional investment promotion conference scheduled to take place in Ghana in the last quarter of 1995.

VI. CONCLUSION

131. As indicated in many forums, the implementation of the programme for the Second Decade remains the primary responsibility of Member States. Therefore, they should try and fit the programmes of the Decade into their respective national plans, and mobilize their own resources for the implementation of the Decade.

132. To this effect, Member States should set up national follow-up committees if they have not done so. They should prepare and submit a progress report to the representatives of the subregions who are members of the Committee of Ten, and send copies to all three secretariats, OAU, UNIDO and ECA. These national progress reports will serve as inputs into the preparation of the regional progress report. Subregional committees should also be set up, with a view to following up the implementation of subregional programmes for the Decade.

Notes

1/ UNIDO Statistical and Sectoral Studies Branch.

2/ International Monetary Fund, World Economic Outlook, October 1994 (Washington, D.C. 1994).

3/ Ibid.

4/ "The industrialization of Africa in the context of global economic developments", paper submitted by Sanjaya Lall to the meeting of the ECA/OAU/ADB/UNIDO Intergovernmental Committee of experts, Vienna, November 1994.

5/ The metal manufacturing industry comprised 26 per cent of total imports World Economic and Social Survey 1994 (United Nations publication, Sales No. E.94.II.C.1).

6/ The textile manufacturing industry amounted to 50 per cent of total manufacturing exports, indicating a lack of export diversification (ibid.).

7/ World Investment Report, 1993: Transnational Corporations and Integrated International Production (United Nations publication, Sales No. E.93.II.A.14).

8/ "Trends in foreign direct investment", report by the UNCTAD secretariat (TD/B/ITNC/2).

9/ UNIDO, based on the Organisation for Economic Cooperation and Development, Development Cooperation Report, 1994.

10/ See the document containing the proposals submitted by the Director-General of UNIDO to the Industrial Development Board in October 1993 (GC.5/23, para. 39).